



ÉCOLE GLOBALE

INTERNATIONAL GIRLS' SCHOOL

Dehradun

HOLIDAY HOMEWORK - CLASS XII ECONOMICS

Unit 1 : INTRODUCTION TO ECONOMICS

- Q1.** Give any two peculiar features of available resources in the economy. 1
- Q2.** What is the root cause of central problems of an economy? 1
- Q3.** Explain the main aspects of the problem of “what to produce”. 1
- Q4.** Explain the concept of economising of resources? 1
- Q5.** Explain the problem of “how to produce” with the help of an example. 3
- Q6.** How the production possibility curve can be used to represent underutilisation or inefficient use of resources in the economy? 3
- Q7.** Explain the problem of “for whom to produce” with the help of an example. 3
- Q8.** Differentiate between normative and positive economics. 3
- Q9.** Differentiate between (a) movement from one point to another point on same PPC and (b) movement from a point lying on a PPC to any point on a higher PPC. 3
- Q10.** Why production possibility curve is concave to origin? 4
- Q11.** Classify the following into positive and normative statements: 4
- (i) All students should study at least three hours a day.
 - (ii) Students should be given free tuition and summer jobs.
 - (iii) Regular exercise will improve the stamina of an individual
 - (iv) The government should fix a minimum wage in all jobs

Unit 2

THEORY OF CONSUMER BEHAVIOUR

UTILITY ANALYSIS

- Q1.** Comment on the nature of marginal utility if total utility derived from the commodity increases at a diminishing rate. 1
- Q2.** Define level of saturation. 1
- Q3.** If the marginal utility derived from the commodity is greater than the price, then what will be its effect on the consumption behaviour? 1
- Q4.** Comment on the changes in consumption behaviour, when the marginal utility per unit of price for commodity A, is greater than the marginal utility per unit of price for commodity B. 1
- Q5.** From the following information, estimate Total Utility derived by the consumer. 3

Units	1	2	3	4	5	6	7
Marginal Utility	10	9	8	7	6	5	4

- Q6.** If at a given quantity the marginal utility derived by the consumer from the commodity is greater than the price of the commodity then explain, giving reasons, the changes that will take place in the consumption behaviour to reach the level of maximum satisfaction. 3
- Q7.** Giving reasons, state whether the following are true or false: 3
- (i) When TU is maximum and constant, MU is zero.
- (ii) When TU is maximum, MU is zero.
- (iii) With increase in units of the commodity consumed, TU increases at an increasing rate.
- Q8.** Explain the concept of consumer equilibrium in case of consumption of one commodity by the consumer. 6
- Q9.** Explain the concept of consumer equilibrium when the consumer consumes a combination of two commodities. 6

INDIFFERENCE CURVE ANALYSIS

- Q10.** What do you mean by monotonic preferences? 1
- Q11.** Define market rate of exchange in terms of goods? 1
- Q12.** If the marginal rate of substitution is greater than the price ratio of the two commodities, what will be the changes in consumer behaviour? 1
- Q13.** If the slope of budget line is more than the slope of indifference curve then how will the consumer behaviour change in order to achieve maximum satisfaction? 1
- Q14.** Why is an indifference curve negatively sloped? 3
- Q15.** What do you mean by monotonic preferences? What is the implication of monotonic preferences on indifference curve analysis? 3
- Q16.** At a given consumption level the market rate of exchange for the two commodities is greater than the marginal rate of substitution between the two commodities. Explain giving reasons the changes that will take place in the consumption behaviour of the consumer. 3
- Q17.** Explain the shape of indifference curve with the help of diagram. 3
- Q18.** Under indifference curve analysis, a consumer achieves maximum level of satisfaction only at a level where the marginal rate of substitution becomes equal to the market rate of exchange (slope of budget line). Explain with the help of a diagram. 6

DEMAND AND LAW OF DEMAND

- Q19.** How the demand for a commodity is affected by an increase in price of its substitute goods. 3
- Q20.** Why does the demand curve slopes downward? 3
- Q21.** Differentiate between increase in demand and expansion in demand. 6

ELASTICITY OF DEMAND

- Q22.** What will be the elasticity of demand for a commodity for which a consumer develops a preference for the commodity. 1
- Q23.** Why the demand curve for a commodity having unit elastic demand is represented by a rectangular hyperbola. 1
- Q24.** Draw three demand curves where the price elasticity of demand remains constant at all points on the demand curve. 3
- Q25.** How price elasticity of demand is affected by availability of substitutes and nature of the commodity. Give examples. 4
- Q26.** A consumer demands 50 units of a commodity when the price of the commodity is Rs. 10 per unit. If the price of the commodity increases by 20%, the demand for the commodity falls to 30 units. Estimate the price elasticity of demand. 4
- Q27.** Given that the price elasticity of demand is equal to unity. A household demands 40 kg of wheat when the price is Rs. 10 per kg. At what price will the household demand 36 kg of wheat? 4
- Q28.** Price elasticity of demand for wheat is unity and household demands 40 units of it when its price is Rs. 2 per unit. At what price will the household demand 35 units of the commodity? 4

Unit 3

THEORY OF PRODUCER BEHAVIOUR

PRODUCTION

- Q1.** What is general value of MP when TP increases with increase in units of variable inputs? 1
- Q2.** How does MP behave when TP increases at an increasing rate? 1
- Q3.** Differentiate between short run production function and long run production function. 4
- Q4.** State and explain law of variable proportions with the help of a schedule. 6
- Q5.** Comment on the following: 6
- (i) When there is diminishing returns to a factor, both marginal product and total product falls.
- (ii) Increase in total product always represent increasing returns to a factor.

COST

- Q6.** If with increase in output AVC remains constant, comment on the nature of AC. Give reasons in support of your answer. 1
- Q7.** If at an output level of 2 units AFC is Rs. 20 per unit and TVC is Rs. 60, what will be the value of AC? 1
- Q8.** What does the difference between TC and TVC curve represent in short run. 1
- Q9.** Explain the relationship between AC and MC. 3
- Q10.** How does MC affects the nature and shape of TVC? 3
- Q11.** Draw AC, AVC, AFC and MC in one diagram and explain the relationship between them 6

REVENUE AND PRODUCER EQUILIBRIUM

- Q12.** If with an increase in output sold, TR starts falling, what can you say about MR? 1
- Q13.** Why TR curve is represented as a straight line passing through the origin under perfect competition. 1
- Q14.** Define producer equilibrium. 1
- Q15.** Explain the relationship between TR and MR when the price remains constant at all output levels. 3
- Q16.** AR curve represents the demand curve for the firm. Comment. 3
- Q17.** What changes in TR will lead to : 3
- (i) Decrease in MR (ii) Constant MR
- (iii) MR becomes zero.
- Q18.** "Level of maximum profits is determined at a level where increasing MC becomes equal to MR." Explain with the help of a diagram. 3
- Q19.** Explain the determination of profit maximisation level for the market where price remains constant at all output levels. 6

SUPPLY AND ELASTICITY OF SUPPLY

- Q20.** How does an improvement in technology, used in the production process, affect the supply curve for the commodity? 1
- Q21.** What does the phrase "Other factors remaining constant", in law of supply, represents? 1
- Q22.** When does the price elasticity of supply for a commodity become unitary elastic. 1
- Q23.** How does the availability of resources affect the supply of the commodity? 3

- Q24.** How does an increase in price of other goods affect the supply curve for the commodity? 3
- Q25.** How does change in technology affects the supply curve for the commodity? 3
- Q26.** When the price of a commodity rises from Rs. 10 to Rs. 11, its quantity supplied rises by 100 units. Its price elasticity of supply is 2. Calculate its quantity supplied at the increased price. 3
- Q27.** The price elasticity of supply of a commodity is 2. When its price falls from Rs. 10 to Rs. 8 per unit, its quantity supplied falls by 500 units. Calculate the quantity supplied at the reduced prices. 3
- Q28.** The price elasticity of supply of a commodity is 2.5. At a price of Rs. 5 per unit, its quantity supplied is 300 units. Calculate its quantity supplied at a price of Rs. 4 per unit. 3
- Q29.** Differentiate between movement along the supply curve and shift in supply. 6
- Q30.** Explain the effect of following on supply curve for the commodity: 6
- (i) Increase in tax rates by the Government.
- (ii) Fall in price of other goods.

Unit 4

PRICE DETERMINATION AND MARKET FORMS

- Q1.** When does the situation of excess demand arise? 1
- Q2.** When do consumers become ready to pay higher price of the commodity in the market? 1
- Q3.** For a non-viable industry, where does the supply curve lie relative to the demand curve? 1
- Q4.** How does an increase in excise tax rate affect the market price and the quantity transacted? 1
- Q5.** Define persuasive advertising. 1
- Q6.** Give the implication of product differentiation on the elasticity of demand in monopolistic competition. 1
- Q7.** What induces new firms to enter an industry? 1
- Q8.** What is meant by the term “price taker” in the context of a firm? 1
- Q9.** Give any two features of monopoly 4
- Q10.** Give any two differences between monopoly and perfect competition. 4
- Q11.** What do you mean by production differentiation? Give its implications on elasticity of demand for the commodity in the market. 4
- Q12.** Explain the implication of the feature “Freedom of entry and exit of firms”. 4
- Q13.** How and why firms are mutually dependent on each other in case of oligopo 4
- Q14.**
- Q15.** How does an increase in the income affect the market price of a normal good in the market? 6
- Q16.** A severe drought results in a drastic fall in the output of wheat. Analyse how will it affect the market price of wheat? 6
- Q17.** In the Union Budget for year 2002-2003, the excise duty on tea was reduced from Rs. 2 to Rs. 1 per kg. All other things remaining constant, how will it affect the market price of tea? 6